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TO: SERVICE DELIVERY AREA ADMINISTRATORS
PRIVATE INDUSTRY COUNCIL CHAIRPERSONS
JTPD PROGRAM OPERATORS
EDD JOB SERVICE OFFICE MANAGERS
JTPD STAFF

SUBJECT: PROGRAM INCOME

EXECUTIVE SUMMARY

Purpose:

This Directive transmits the policy and procedures for the generation and use of program income.

Scope:

This Directive applies to all Job Training Partnership Act (JTPA) subrecipients: Service Delivery Areas (SDA) and lower tier subrecipients.

Effective Date:

This Directive is effective upon its release.

REFERENCES

- JTPA Section 164(a)(3)(D)
- Title 20 Code of Federal Regulations (CFR) Sections 627.450
- Department of Labor (DOL) Technical Assistance and Training Series for JTPA Financial Management, 1995

STATE-IMPOSED REQUIREMENTS:

This Directive contains some state-imposed requirements. These requirements are indicated by ***bold, italic*** type.

FILING INSTRUCTIONS:

This Directive supersedes Directive 86-5. Retain this Directive until further notice.

BACKGROUND:

Prior to 1992, program income could be expended for JTPA program purposes only. Each state was responsible for defining program income and prescribing its use. California excluded interest income from its definition of program income and required the remittance of interest income to the state. Title 20 CFR, implementing the JTPA Amendments of 1992, defined program income and prescribed the allowable use of the income.

POLICY AND PROCEDURES:

<u>Definitions</u>:

Program income means income received by the recipient or subrecipient that is directly generated by a grant or subgrant supported activity, or earned only as a result of the grant or subgrant.

<u>Policy</u>:

The following are considered program income: income from fees for services performed and from conferences; income from the use or rental of real or personal property acquired with grant or subgrant funds; income from the sale of commodities or items fabricated under a grant or subgrant; revenues earned by a governmental or nonprofit service provider under either a fixed-price or reimbursable award that are in excess of the actual costs incurred in providing the services; and interest income earned on advances of JTPA funds.

Program income does not include: rebates, credits, discounts, refunds, etc., or interest earned on any of them; taxes, special assessments, levies, fines, and other such governmental revenues raised by a recipient or subrecipient; and proceeds from the sale of property. Any type of refund or credit is a reduction in the cost if received during the same funding period. Applicable credits received after the funding period shall be returned to DOL.

Service Delivery Areas (SDA) and subrecipients who earn program income must keep records sufficient to determine the amount of program income received and the purpose for which such income is expended. Regulations permit retention of program income if the SDA or subrecipient expends it for the same subgrant and title under which it was earned. The state may permit the transfer of program income when the entity that earned the income is unable to expend it.

<u>Procedures</u>:

Accounting

There are two methods to account for the receipt of program income and the cost associated with generating program income: the gross method and the net method. To account for the expenditure of program income, the subrecipient may establish a separate account or transfer expenditures from the original agreement. The (DOL) Financial Management Technical Assistance Guide provides a detailed description regarding how to account for the income and expenditures of program income.

Reporting

The SDAs must report their program income and the program income of their subrecipients on an annual basis. More frequent reporting is acceptable, but not required. The SDAs must report program income on the JTPA 12 or JTPA 12E.

Proper Use

Program income must be used for the same title and grant or subgrant that generated the income. The same terms and conditions apply to the expenditure of program income. All JTPA requirements for expenditure of funds apply to the use of program income, except for some relief on cost limitations. Only the administrative cost limit applies to program income and the limit is that under which the program income is expended. Program income must be expended within the contract or subgrant period.

Cash received from program income should be depleted before additional cash is drawn down.

Transferring

Program income may be transferred to the awarding agency when the contract is terminated or not renewed for failure to meet performance requirements or the subrecipient elects not to continue providing JTPA services.

ACTION:

Bring this Directive to the attention of all affected staff and all subrecipients.

INQUIRIES:

Please direct questions about this Directive to your Program Manager or Jean Cole, of the Policy Unit, at (916) 654-8284.

/S/ BILL BURKE
Acting Assistant Deputy Director